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Quarterly

Insurance Journal

January, February, March 2011



Prof. Dr. Nazir Ahmed Sangi
Vice Chancellor,
Allama Iqbal Open University
SPEAKS



KARACHI STOCK EXCHANGE

Legal Section

**MY FIRST COMMAND
AND ITS EXPERIENCES**

FRAUDULENT CLAIMS

Financial Announcements

The Two Cs

Often Ignored

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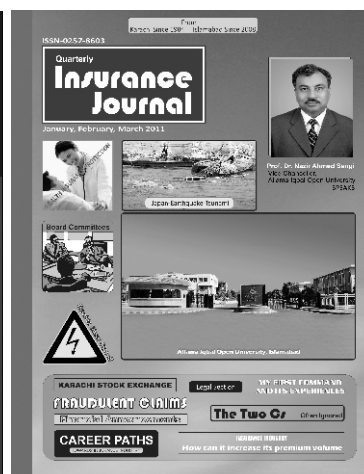
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CONTENTS

Insurance on Karachi Stock Exchange	05
Financial Announcements 2010	07
I.J Exclusive	09
Board Committees	13
Health Insurance Protection	17
The Two Cs	21
Electric Short Circuit.....	24
Fraudulent Claims(Part-1)	27
Students' Corner	31
Japan-Earthquake-Tsunami	32
Pak Re Workshop/N.J.I Branch	35
My First Command	37
I.A.P Lahore Essay Competition	43
Legal Section	45

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BRANCH NETWORK ALL OVER PAKISTAN

INSURANCE SECTOR ON KARACHI STOCK EXCHANGE

(Quarter: October, November, December 2010)

Company	Paid up Capital (Rs. In Million)	Face Value Rs	Highest Rate Rs	Lowest Rate Rs	Turnover of Shares	Announcement During the Quarter
Adamjee Ins. Co. Ltd.	1,237	10.00	91.75	63.05	51,018,005	
American Life Ins. Co. Ltd.	500	10.00	19.85	16.03	18,550	
Asia Ins. Co. Ltd	250	10.00	17.00	16.00	5	
Askari General Ins. Co. Ltd.	204	10.00	12.75	10.00	153,424	Right Issue = 25%
Atlas Ins.	369	10.00	39.90	28.52	271,715	
Beema Pakistan Co. Ltd.	417	10.00	-	-	-	
Business & Industrial Ins. Co.	86	10.00	-	-	-	
Central Insurance Co. Ltd	279	10.00	70.75	47.50	142,018	
Century Ins. Co. Ltd.	457	10.00	12.00	9.42	1,031,347	
Crescent Star Ins. Co. Ltd	121	10.00	7.00	3.10	23,527	
Dadabhoj Ins. Co. Ltd	50	10.00	-	-	-	
Delta Ins. Co. Ltd.	40	10.00	-	-	-	
EFU General Ins. Co.	1,250	10.00	48.63	34.76	3,192,034	
East West Ins. Co. Ltd.	251	10.00	-	-	-	Bonus Issue = 10%
East West Life Assurance Co. Ltd.	455	10.00	4.62	2.08	246,764	Right Issue = 10%
EFU Life Assurance Ltd.	850	10.00	86.95	57.15	725,907	
Habib Ins. Co. Ltd.	400	10.00	14.45	10.04	466,970	
Hallmark Ins.	5	10.00	-	-	-	
IGI Ins. Ltd	718	10.00	99.88	70.30	907,527	
Ittefaq General Ins. Co. Ltd	10	10.00	-	-	-	
New Jubilee Life Ins. Co. Ltd	627	10.00	49.31	39.95	592,044	
New Jubilee Ins. Co. Ltd	791	5.00	60.90	52.25	102,811	
Pakistan General Ins. Co. Ltd	200	10.00	8.50	5.50	120,206	
Pakistan Guarantee Ins. Co. Ltd	25	10.00	-	-	-	
Pakistan Northern Ins. Co. Ltd.	8	10.00	-	-	-	
Pakistan Reins. Co. Ltd	3,000	10.00	17.20	12.86	42,222,370	
PICIC Ins	350	10.00	8.30	1.85	2,336,226	
Platinum Ins. Co. Ltd.	120	10.00	-	-	-	
Premier Ins. Co. Ltd.	303	5.00	12.00	8.00	684,471	
Progressive Ins. Co. Ltd	85	10.00	-	-	-	
Reliance Ins. Co. Ltd	252	10.00	7.70	6.15	81,195	
Shaheen Ins. Co. Ltd	200	10.00	14.53	11.65	659,484	
Silver Star Ins. Co. Ltd	253	10.00	08.17	6.01	358,474	
Standrad Ins. Co. Ltd	8	10.00	-	-	-	
Sterling Ins. Co. Ltd	5	10.00	-	-	-	
Union Ins. Co. Ltd	82	10.00	-	-	-	
United Ins. Co. Ltd	400	10.00	7.35	4.55	99,827	
Universal Ins. Co. Ltd	210	10.00	3.75	2.21	32,504	



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Financial Announcements

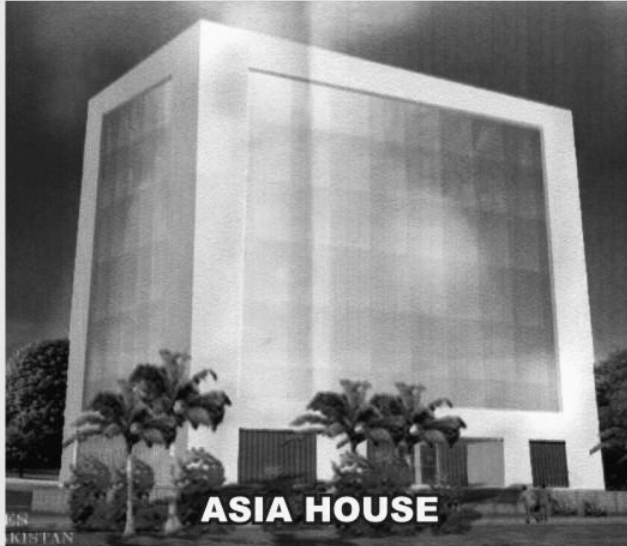
Company	Announcement	Profit (loss) before tax Rs: in million	Profit (loss) after tax Rs: in million	Eps
Adamjee Ins.Co.Ltd	15% (F) (D)	576.598	518.916	4.19
American Life Ins.Co	-	176.704	130.013	2.60
Askari General Ins.Co	10% (B)	53.346	47.418	2.33
Atlas Ins.Co	20% (B) 40% (D)	327.130	242.658	6.57
Central.Co.Ltd	40% (B) 15% (F) (D)	497.180	491.224	17.60
Century Ins.Co.Ltd	10% (D)	121.062	109.631	2.40
Crescent Star Ins.Co	-	4.605	3.744	0.31
EFU General ins.Co	12.5% (F) (D)	(359.763)	(413.321)	(3.31)
East West Ins.Co	-	15.548	8.443	0.34
East West Life	-	(48.761)	(50.813)	(6.31)
EFU Life Assurance	50% (F) (D)	551.035	363.235	4.27
Habib ins.Co.Ltd	12.5% (B) 25% (D)	192.188	168.482	2.10
I.G.I Ins.Co.Ltd	35% (B) 20% (D)	920.771	836.556	11.64
New Jubilee Life Ins	15% (D)	217.268	146.752	2.34
New Jubilee Ins.Co.Ltd	25% (B) 20% (D)	546.682	450.151	5.69
Premier Ins.Co.Ltd	25% (D)	141.746	120.383	2.00
Reliance Ins.Co.Ltd	12.50% (B)	56.684	51.934	2.06
Silver Star Ins.Co.Ltd	15% (B)	38.733	37.201	1.47
United Ins.Co.Ltd	24% (B)	133.536	118.387	2.96

Ghulam Muhammad and family has made a Public Announcement for the acquisition of 40% equity stake in the Picic Insurance Co Ltd. According to Next Capital who made this Announcement on behalf of their client namely Picic Insurance Co Ltd.



Mr. Saifuddin Zoomkawala, Chairman EFU Life, Mr. Taher G Sachak, MD and CEO EFU Life, with Mr. M R Mehkari, President Askari Bank on the occasion of launch of Bancassurance and Co-Brand Credit Card. Other senior officials of EFU Life and Askari Bank are also present at the ceremony.

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Prof. Dr. Nazir Ahmed Sangi

Vice Chancellor,
Allama Iqbal Open University

SPEAKS

Dr. Nazir A. Sangi has on his credit over 26 years of professional, teaching and management experience in public and private sector organizations. He has served as Professor and Chairman Computer Science department at Allama Iqbal Open University since November 1999. Prior to this, Dr. Nazir A. Sangi obtained his Bachelor of Engineering degree from Mehran University of Engineering and Technology, Jamshoro, Pakistan in 1981 with two Gold Medals and a Merit Scholarship for higher studies abroad that followed his PhD degree in Industrial (Engineering) Studies from Liverpool University, England. Dr. Sangi has also done post-doctoral research in Educational Technology at RCET, Kent State University, Ohio, USA.

Since last 12 years his research has been focused on Technology Integrated Education in Pakistan. Dr. Sangi has won a prestigious National NCR IT Education Excellence Award 2010 for development of Urdu e-learning Software and

NCR IT Education Excellence Award 2004 for his contribution to IT Education. He has also won Best University Teacher Award 2008 from Higher Education Commission, Pakistan. Dr Sangi was also an active research scholar of Pandora-Asia Networking group involving e-learning researchers from 13 Asian countries.

His current focus is on the e learning, multimedia instructions, e-assessment and online blended systems of education especially in deprived, low education areas of Pakistan. He had played a lead role in the promotion of computer based e-learning and online education at AIOU. Throughout his professional career he has supervised many research and technology implementation projects at different universities of Pakistan. Dr Sangi has contributed in many ICT based education uplift projects in Pakistan.

Dr. Sangi has rich experience of public, private and corporate management. He has international linkages and has successfully implemented quality DL in rural areas. Dr. Sangi's rich experience in traditional and online education can be very useful to many AAOU members.

Insurance Journal provided questions to Vice Chancellor Allama Iqbal Open University, Islamabad, and requested for answers. Reproduced below are the questions of the I.J and the answers of Professor Dr. Nazir Ahmed Sangi.

Insurance Journal:

When and how was the concept of Distance Education conceived? How did it develop?

Vice Chancellor AIOU

The concept of Distance Education in Pakistan was conceived by Shaheed Zulfikar Ali Bhutto, the then Prime Minister of Pakistan who imported this unique idea from Open University, UK. Allama Iqbal Open University (AIOU) was established under an act of parliament in 1974 with its initial name as "People's Open University". Later on, its nomenclature was changed as AIOU to commemorate the great national philosopher and

poet, Dr. Allama Muhammad Iqbal. The University started with few courses of Matric, F.A and B.A level. Now it's courses ranging from basic literacy to PhD levels. Due to its great number of students (about half million) and large number of courses, the University is considered as one of the world Mega Universities.

Insurance Journal: *Since its inception, how far this university brought changes in the overall educational scenario of Pakistan?*

Vice Chancellor AIOU As we all know, the Holy prophet (peace be upon him) wanted to bring changes in people's attitude and behavior to maintain good social order in the society whose people used to bury alive their new born female child and murder and commit heinous crimes, and who did not value illegal assets, bribe, etc.

Education has fundamentally three components

(i) increase in true knowledge

(ii) practicing skills according to the knowledge and belief

(iii) change in attitudes from “uncivilized” to “civilized” and “uncommitted to principles” to “committed to principles.”

To my understanding, all educational institutions in the country are mandatory required to bring these fundamental changes among the students so that a highly respectable and civilized society with professional skills and true knowledge is created. AIOU brought all these changes in its students during the recent years.

Insurance Journal: *What are the future plans of AIOU?*

Vice Chancellor AIOU I have high plans for AIOU. Firstly, we are trying to look at the curriculum. Repackaging it so that it addresses the fundamental components i.e. the knowledge, skills and attitudes of learners (at all levels of educational programmes). The process has been started and progressively we will change the curriculum accordingly. Secondly, we are working towards universal access to education especially in the deprived areas, female groups and under-privileged working class students. The University has initiated different projects to build model study centers in Umarkot, Skardu, D.G. Khan, Ziarat Kaka Sahib etc. We are planning to establish computer Labs., libraries, video conference facilities, Internet and above all, provision of expert teachers from urban areas to rural areas so that accessibility to the quality education is brought to such deprived areas. Thirdly, we are changing our curriculum to make it practical and starting the socio-economic activities at the regional level. For example, in a particular region, such as Sargodha main activity relates to “Kinu” and other Citrus fruit production. Whereas, Faisalabad is famous for textiles and garments. Similarly, Sialkot is known for sports and surgical goods, etc. If technical intervention is designed efficiently and effectively around such main activities and other supplementary supportive activities, then economic activity in such areas could be enhanced and perfected in future. This will also help increase demand for technical education in these areas. Fourthly, we are trying to make our system more efficient to cope with more future challenges related to quality and efficiency. For this purpose, we have also initiated many training programmes for faculty and staff development. We are also providing basic training to 30,000 part-time teachers

associated with the AIOU. We will continue to do so for our students as well. This way, we will be cultivating knowledgeable and skilled human resources in the country. On the quality front, we are also enhancing our quality processes at all levels. INSHALLAH, progressively, these quality measures will bring AIOU's education at par with international quality education. On the efficiency side, we have been successful to reduce admission cycle and efficiently conduct examinations, handle student queries related to their academic and administrative matters. We are planning to build IT institute at D.G. Khan and Renewable Energy project at Bahawalpur. For the later, we have sought cooperation of our friendly country (China). All these plans will bring long term effects into efficiency as well quality of education imparted by the AIOU.

Insurance Journal: *What subjects are available for the students at AIOU?*

Vice Chancellor AIOU Almost all kinds of subjects are available with the AIOU students which ranging from basic literacy to PhD levels. Complete list is not possible to be given here; however there are 1250 subjects approximately which include simple arts and crafts to sciences and professional courses of MBA, Mass Communication TEFL, computer/IT and vocational training, etc.

Insurance Journal: *What is the ratio of AIOU degree holders get absorbed in national and international markets?*

Vice Chancellor AIOU Completers of AIOU certificates and degrees get good response in the national and international job markets. Approximately 15% of our computer/IT graduates are working in the reputed software houses like Netsol. According to rough estimates 45% of our students are in service. Most of them have got their jobs or promotions on the basis of AIOU certificates/degrees. High share is of Govt. services (30%). Private or corporate service comes second (10%). Hence, AIOU is the biggest job opportunity provider, particularly to the deprived and under-privileged segments of society.

Insurance Journal: *What is the source of income of AIOU and how does the University meet its requirements?*

Vice Chancellor AIOU Source of feeding of AIOU's revenue is two-way—government and students' fees. Govt. grant is very meager. Though the student fees are also very nominal (perhaps less than all the universities of the same standing in the country), yet university is meeting its expenditures with good governance. The edge of student enrolment too high (approximately 1200,000 per annum) also goes to the AIOU, as higher the number of students lower the cost per capita. It is the good governance of the AIOU that it meets both ends with minimum fees alongside providing quality education to students.

Insurance Journal: *You are aware MBA (Insurance) has been introduced at the Hailey College Lahore affiliated with Punjab University. Can AIOU also start this facility?*

Vice Chancellor AIOU I am not aware that Hailey College of Commerce, Lahore has started MBA (Insurance). As regards, starting MBA (Insurance) by the AIOU, It is imperative for us to get the program's courses and its methodology approved by various AIOU statutory bodies.

Insurance Journal: *So far how many students got benefited and what is the present enrolment of students in the university?*

Vice Chancellor AIOU Details of completers of different programs of the University are given as follows:

PROGRAM	NO. OF COMPLETERS
Functional Non-Credit	105200
Matric	57780
FA	794585
F.Sc.	436
BA	355890
BBA	2594
B.com	6798
BS/CS	18777
B.ED	433390
M.ED/	61086
MA	40332
M.Sc.	9055
M.Phil	2040
Ph.D	80
Total	1888043

Insurance Journal: *The subject of insurance seems not of importance at AIOU since it is not on its curriculum?*

Vice Chancellor AIOU

It is not correct that AIOU does not attach any importance to the subject of Insurance and it has not started this subject at any level. In fact, this subject was part of AIOU's syllabus at various levels, but due to trend of disinterest of the students and decreasing enrolment in it, the course was dropped as it had become uneconomical to run it. However, still it is included in our short term courses.

Insurance Journal: *Why AIOU cannot provide educational facility in insurance?*

Vice Chancellor AIOU

University can facilitate students in "Insurance" through distance education, provided ample number of students apply for the program. For this purpose, Insurance companies should cooperate with the AIOU in funding for preparation of courses as these courses will not yield financial benefit to AIOU at least at the initial stage. However, these courses would go a long way in building qualified manpower for insurance organizations. Therefore, they should join hands with the AIOU to start such insurance related courses.

Insurance Journal: *If the student is not required to attend regular classes then how the subjects such as Computer Science or Medicine are taught without practical training? Where do the students get this important training?*

Vice Chancellor AIOU

Subjects like computer science/IT and medical science (F.Sc. B.Sc. M.Sc. including many other disciplines requiring practical training or lab work) are not offered through distance learning mode by AIOU. Instead, these are offered under face to face mode where state of the art labs of the university (either owned or hired by it) are available.

BOARD COMMITTEES

A help or impediment to good corporate governance



Dr Safdar A Butt

*Professor, Faculty of Management Sciences,
& Director, Fiscal Policy Studies Center*
Mohammad Ali Jinnah University, Islamabad

Why are committees created?

A board of directors is a non-executive body that meets no more than four or five times a year to perform its oversight, directional and advisory functions. The time at the disposal of directors is rather limited in fact too limited to allow a comprehensive coverage of all the various issues that are presented to the board. It is therefore necessary that the board should get some assistance from certain quarters, *other than the management of the company*, for expert advice or briefing on the matters that are placed before it. Forming committees of the board is one way of getting such assistance.

If we look at the role assigned to directors and study the responsibilities of each individual director as ordained by the Code of Corporate Governance issued by Securities and Exchange Commission of Pakistan (SECP), we will easily conclude that it is virtually impossible for any individual director, or the board as a whole, to effectively discharge those duties without working on a full time basis for the company. But making every member of the board a full time employee (and therefore a part of the management team) will defeat the very purpose of having a board of directors. Having non-executive directors is the essence of control over the management of the company hence a majority of the directors must remain non-executive. Now, for non-executive directors (NEDs) to succeed in their role and measure up to the expectations of stakeholders, it is necessary that they should be able to divide their work on a reasonable basis. Forming committees offers an opportunity for this division of work. Different committees can be assigned different specialized functions with relevant NEDs being appointed to them.

Introduction

The purpose of this article is not to examine the specific functions of the different committees that may be formed by the board of directors of a company, either to meet legal requirements (like audit committee) or to help the board in designated areas (like executive committee, HRM committee, etc.). I will essentially like to talk about the basis for creating these committees and the manner in which they deliver. Does the process of assigning some of the board functions to such committees lead to helping the company improve its corporate governance, or does it result in eroding the powers of the board and causing more problems than it purports to solve.

How Board Committees assist the Governance

Properly formed and functioning board committee render the following advantages:

- a. The directors are able to get impartial, yet professional, input from a source other than the management of the company. If the board continues to rely solely on the information provided by the management, it will fail to perform its function of effective oversight. A board that does not look beyond the papers presented to it by the management will not be able to control the management; rather it will be controlled by the management. This reversal of roles is against the spirit of good governance and should be diligently avoided. Hence, in this respect, committees help to improve the quality of governance at a company.
- b. The work load of directors is reduced. The detailed work is done by the committee members while the Board receives a summarized report and/or recommendations for its consideration. At

least theoretically, this should not result in dilution of powers of the board. While the board retains the power to make the final decision on all issues, the issues themselves are assigned to various committees in order to get a meaningful division of work. In this way, more work can be done in lesser time, thereby improving the overall efficacy of the board and hence the governance.

- c. With the induction of outside consultants or specialists in such committees, the board can get more detailed and specialized information for a more dependable decision making. This is perhaps the most important argument in favor of committees and the role they can play in improving the quality of governance. Board members should be provided this access to outside specialists without having to rely exclusively on the company's own management in order to get an independent view on the issues.

Issues and Problems

Board Committee are however like firearms. If they are used properly they defend the company and protect the interest of its stakeholders. However, if they are not handled well, they can kill the company. The following issues and problems are commonly associated with board committees:

- a. Committees are often accused of slowing down the process of decision making. Quite often, certain matters can be decided by the board but are referred to a committee which takes its time in coming up with recommendations for the board. Again, quite often discussion on these recommendations takes more time than the discussion on the issue itself. It is not only the governmental committees that are known for delaying decisions, corporate committees are often

quite as guilty.

- b. Once a committee is formed about a particular matter, many (if not all) board members (i.e. directors) stop caring or even thinking about it. This leads to abdication of responsibility. As it is, most non-executive directors are neither aware of nor concerned about their specific responsibilities as board members. Committees provide them an excellent means of escape because less than diligent directors can easily hide behind the recommendations of the committee. If a wrong decision is reached by the board and a process of accountability begins, such directors conveniently point a finger at the committee and escape unscathed. It has been

As stated earlier, committees are like fire or firearms; they can be used to great advantage or they may destroy the board through misuse. It all depends on how they are created, the latitude they are given, and the manner in which they function. If the Board of a company pays attention to the following aspects, they can benefit tremendously from its committees

commonly observed that once the board members have a ready scapegoat for any error in decision-making, the level of their diligence and vigilance somehow subsides.

- c. Board Committees are often not competent. Since, most boards still confine the membership of

their committees to its own members only; they may frequently fail to find sufficient talent in the board to constitute a meaningful committee on a particular subject. Such a committee may not have specific competence to deal with the matters referred to it. Forming a committee that does not have adequate intellectual capacity to look at a difficult problem is like going to an optometrist for a heart implant. Quite unfortunately, this malice is fairly common.

d. When a committee fails to perform its duty, it also prevents the others from performing that function. This relates to the general psychology of directors. Those who are not in a particular committee, do not want to interfere in its work this means if the committee is not performing its work properly, the whole board and hence the company suffers. At the same time, those in the committee do not approve of other directors raising objections to their recommendations even when such recommendations are faulty. This is one of the biggest disservice of board committees

e. Given the board structures in Pakistan, Board Committees often become one-man show. The head of the family who

Committees are often accused of slowing down the process of decision making. Quite often, certain matters can be decided by the board but are referred to a committee which takes its time in coming up with recommendations for the board.

Again, quite often discussion on these recommendations takes more time than the discussion on the issue itself. It is not only the governmental committees that are known for delaying decisions, corporate committees are often quite as guilty.

owns majority of the shares tends to chair all the committees, or attend their meetings without being even a formal member. In this way, he strips the committee of any real power, taking all decisions individually. Even, if the top honcho is not involved in such committees, certain committee chairmen tend to make their committees their personal domain and rule over it with a strong hand. I came across the definition of an effective committee sometime ago. It said "an effective committee comprises of four members, three of whom don't give a damn and one who wants everything his way." Quite unfortunately, if the board is not vigilant most board committees get transformed into such bodies.

f. And lastly, Board Committees are often used by the real management of the company to get legitimacy for their decisions without taking

responsibility for them. For example, the family controlling a company may form a board committee to give recommendations on a new project and make sure that the recommendations are all in line with what the group really wants to do in the matter. Manipulation of committees by crafty managers (in Europe) and controlling shareholders (in countries like Pakistan) is fairly common. Committees are used as a rubber stamp for decisions made elsewhere. Naturally, such committees are no help in improving the quality of governance of a company.

How to benefit from Board Committees

As stated earlier, committees are like fire or firearms; they can be used to great advantage or they may destroy the board through misuse. It all depends on how they are created, the latitude they are given, and the manner in which they function. If the Board of a company pays attention to the following aspects, they can benefit tremendously from its committees:

Balance on the Committee

There should be a decent balance of power, talents and aptitude on each committee. This can only come about if such a balance also exists at the board level. A committee comprising of a majority of executive directors will prove of little value to a board. Similarly, a committee that does not have sufficient talent or expertise to deal with its main functions will also fail to deliver. And a committee comprising of all docile or all argumentative members will never reach a decision. Constitution of committees is therefore a very important task and should be performed very carefully by the board.

Independence of the Committee

Board committees should be given all the necessary independence to perform their tasks, within interference or compulsion from executive directors or controlling shareholders. In fact lack of independence is the prime cause of failure of most audit committees in the country. Committee members should refuse to act as rubber stamp and demand total independence before accepting the appointment.

Sufficient Talent

If a board finds that it does not have adequate specialists among its members, it can induct external

non-voting members in its board committees to ensure that they benefit from full professional input.

Definition of Role

One common reason for less than satisfactory performance of a board committee is board's failure to clearly define its role and scope. There is a common tendency to generalize the role of every committee which leads to complications. In the first place, the committee is deprived of a focus and may fail to deliver on its specific functions. For example, if HR committee is not clearly told that as to what is expected from its deliberations, it is quite likely to spend inordinate amount of time and effort on drafting recommendations that are neither needed nor of relevance to the company. Secondly, failure to define specific roles can lead to tussle between the different committees. In turn, this impedes rather than helps the board of directors.

Remuneration

A company is a commercial venture it is not a social club. Its committee members should be suitably rewarded for their efforts. Paying committee members a measly meetings fee is not an efficient way of getting the best out of them. If a company really wishes to get a professional level performance from its committees, it must pay professional level compensation to the members of such committees. Only when committee members are being reasonably remunerated can they be expected to devote adequate time and resources to the tasks of the committee, or be held accountable for their actions. At the same time, care is needed to ensure that the quantum of compensation is not such that it turns the

Board committees should be given all the necessary independence to perform their tasks, within interference or compulsion from executive directors or controlling Shareholders.

committee members into willing accomplices.

Evaluation of performance of committees

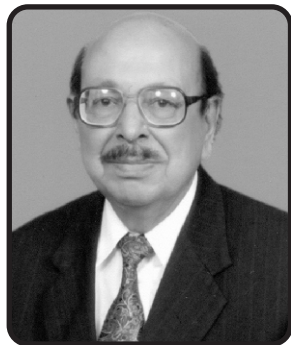
A board must devise and implement means of evaluating the performance of each committee and each committee member on a regular basis. If the board is willing to compensate committee members in a decent manner, it attains the right to evaluate the output produced by them. Regular evaluation has several advantages. It can ensure that the committee members stay on their toes, it can help the committee members to learn of the areas where their performance is lacking and it can help the board draw up meaningful policies on using committees in an efficient and cost-effective manner.

Spirit and intention

The last but not the least is the spirit in which committees are formed. If the aim of forming a committee is only to complete a legal formality but not to let it work in any meaningful way, then the committee will inevitably fail. The Board must be prepared to let the committee perform its functions independently and professionally. The idea should be to benefit from these committees, not to use them for getting a nod of pre-decided proposals.

A company is a commercial venture it is not a social club. Its committee members should be suitably rewarded for their efforts. Paying committee members a measly meetings fee is not an efficient way of getting the best out of them.

The necessity for **HEALTH INSURANCE PROTECTION**



Khalid A Mohamed
ACII (UK) ARM (USA)

Progressing into the second decade of the 21st century , it has become absolutely essential in Pakistan to obtain protection against the risk and medical costs of falling ill.

Not many years ago, whenever illness struck a person there was the family doctor who would usually treat the patient with inexpensive medicine whether alleopathic or sometimes with homeopathic or Inane drugs.

As science has progressed, and new treatment and wonder drugs have been discovered, the cost of treatment has gone up steeply. The reason seems to be the extra expense of research and development as well as inflation worldwide which ultimately falls on the consumer..

Major illnesses usually strike suddenly and the costs of treatment can devastate the average wage earner's monthly budget usually pulling in money set aside for other needed expenses such as education or children's marriage and loss of income during the period the patient, if a family bread earner is laid up in bed.

Most persons have several misconceptions about insurance. The vast majority just do not know that health insurance exists which can cover the costs of treatment including hospitalization and surgical treatment for a number of illnesses.

Insurance companies usually provide insurance on a Group Insurance basis i.e the insured person must belong to a group such being an employee of a company or an industry. The size of the group which is acceptable to an insurance company varies in different insurance companies. Some insurance will accept a group as low as 5 individuals whereas other insist the group should be a minimum of 11 or 21 person. A few insurance companies do however accept insurance on individual person.

Also , the type and level of protection provided to the insured person varies from company to company.

Some insurance companies will cover treatment including

medical attendant's fees for treatment by an approved doctor in a clinic or treatment provided in an approved hospital.

Treatment provided in a clinic is called Outpatient treatment and treatment provided within a Hospital is called Inpatient treatment.

Many people believe, and this human nature, that somehow major illness will not come their way. This is just not true. Statistics show that at least once in a lifetime there is a likelihood of occurrence of a major, usually unexpected illness.

Some weeks ago, when I was dressing to go to work I felt dizzy and later I completely passed out. As we were new to Islamabad my wife rushed me to Shifa International Hospital Intensive Care Unit where I was diagnosed as having irregular heartbeat. Thanks to the excellent treatment of the Hospital medical and nursing staff and Dr. Muhammad Asad Ali Saleem MD, FACC, their eminent cardiologist who fitted me with a pacemaker (an instrument to regulate heartbeats) I soon recovered and resumed my normal work.

The whole episode cost around Rs,3,50,000 plus in a matter of a few days. The lesson I learnt was that this is the sort of Black Swan event that Health Insurance exists to provide protection to the insured person- financial help is provided when it is needed most.

The insured person has to pay a small and easily budgeted regular premium to the Insurance Company to obtain from it protection against major illness.

There are a few salient points the person taking out a **HEALTH POLICY**, which should carefully bear in mind:

- All medical Insurance policies have a claim deductible. This is an amount that is deducted from the Insurance claim. It is usually deducted from "out of hospital" treatment costs but can some times be applied to particular kinds of medical procedure.
- All insurance policies have a maximum limit which is the maximum amount the Insurance company will pay during the policy year. This is called The Annual financial limit is carefully discussed with your insurance agent so



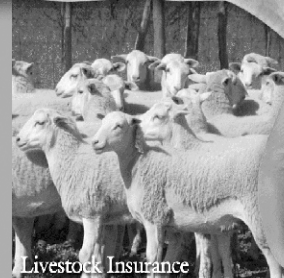
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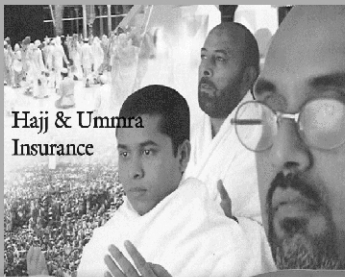
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that it is neither too high (in which case you pay a lot of premium) or too low (which can leave you partly uninsured if a major illness strike).

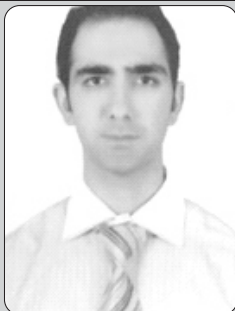
- Some Medical insurance policy will exclude pre existing Medical Conditions such as diabetes or pregnancy which has occurred before taking out the insurance.
- Some insurance policies are on 'Direct Billing 'Basic. The Insured person fills out a form when attending a hospital or clinic which is sent together with the hospital or clinic bills directly to the insurance company for reimbursement. The Insured is saved all the hassle of paying the bills directly and the claiming from the insurance.
- In other type of policies, the insured person has to pay all the bills and then the Insurance Company reimburses all covered medical bills directly to the Insured person. This means that the insured has to pay the

cost first and this can be a real burden if large payments are involved.

- Usually the doctor, pharmacies ,and hospital where treatment is allowed are listed by the Insurance Company in the policy and called covered treatment providers.
- If a hospital or clinic or pharmacy is not on the Insurance Company's approved list a higher Claim Deductible may apply. However if an emergency occurs and an insured has to obtain treatment from the nearest medical source, then the Insurance Company will accept the bills without charging a penalty deductible.
- The policy has a geographical limit. Treatment in Pakistan and the Indian subcontinent generally is cheaper than treatment available in Europe or America where the medical treatment costs are several times higher.
- Every insurance company

terms differ somewhat and it is best to use the services of an experienced insurance broker who will suggest the most suitable insurance policy for you.

- This has several advantages for the insured person will know how the monthly cost of insurance is and budget the monthly premium expense.
- Secondly , any large and sudden medical expenditure such as an operation will be looked after by the Insurance Company upto the annual amount insured.
- The annual medical insurance premium is based upon the age of entry, that is, the age when the medical insurance is first taken out. Younger persons are charged a lower premium so it better to take out health insurance as early as possible before any major illness has occurred.



RIAZ KHAN JADOON

Mr. Riaz Khan Jadoon qualified for M.B.A on merit from the University of Northampton U.K in 2010.

In 2007 Mr. Riaz obtained 1st class 1st position in M.Com (Insurance) from the University of Karachi. Son of Mr. Majid Khan Jadoon A.C.I.I. Managing Director of M/s Pakistan Inspection Co. (Pvt) Ltd a leading surveyor Mr. Riaz Khan has now joined the M/s Pakistan Inspection Co. (Pvt) Ltd as a Director.



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The Two Cs Often Ignored



Syed Hassan Abbas

Management Consultant/Trainer

Who among the top notch business leaders, academicians, business scholars, management gurus, CEOs or board room meeting holders does not know about practicing common sense or customer care?

What is the difference then?

What is the difference that makes and creates organizations like IBM, Procter and Gamble, General Electric, Bell Labs, Hewlett Packard, Emirates Airline, 3M, Walt Disney, Boeing and the list goes on?

In many of my seminars and training session, people often demand some thing new. This specifically happens when HR managers or department heads are discussing the theme or the training need with us. We often hear sentences like: Hassan, give me some thing new or like we want some thing different to try this time. Or some times even we hear words like: we do not want same old customer care philosophy but some thing dramatic that changes our people

Probe into Underperformance Issue

Common Sense and Customer Care

"In search of Excellence" has been declared as one of the most influential master piece of business writing in American corporate history. The New York Wall Street Journal described it as one of those rare books on management.

The whole work is about the search of the authors for reasons why organizations reach at the top such as among fortune 500 list. They landed at eight attributes out of which, the most important are the two Cs: Common Sense and Customer Care.

quickly.

Where lies the problem?

The Issue:

There are two thing:

First, people think that for some thing to be better or to be effective, it has to be new. This myth appeared from a bombardment of advertisement on us on a daily basis. Try this new theodo-chloro-zymate in our new tooth paste. Get our latest instant dry leaved conned tea. Find our newer packing more attractive, there are tens of dozens of such examples that we hear and watch daily, which very silently are devastating our thinking and social skills to handle problems.

The second problem lies in being quick. And sadly has its root again in how the advertisement has spoiled our psychologies. Get our instant dissolving head ache tablet. Get in touch in just 3 seconds. Get immediate relief. Our milk brand dissolves quickly. The common message is get results quicker.

The two advertisement trends have lead our people in general and tour managers specifically, to believe that or some thing to be good it has to have two things: it has to be new and it has to be

quick.

The issue is that the philosophy of "new and quicker" goes absolutely in reverse to how laws of nature work.

The difference:

The difference does not lie in knowing some thing new. The difference does not lie in getting some thing quicker.

The difference lies in the INTENSITY with which we practice the already known.

The difference lies in sticking to the most basics PRACTICALLY first and then develop a learning based on that practices.

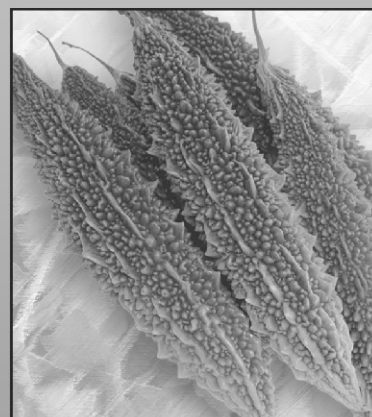
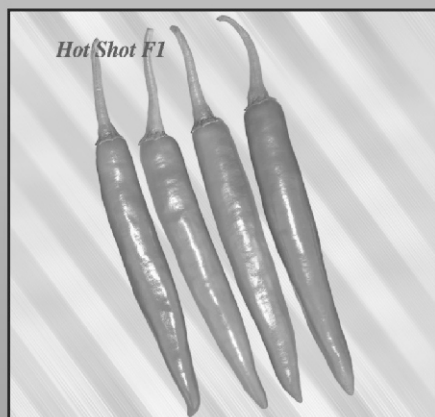
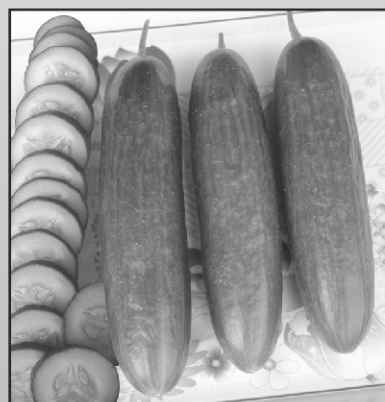
Organizations that stay and rest on the top 100 ranking in the world practice customer care and common sense to intensely, that it goes beyond the thinking of the managers from the third world.

There is no magic wand or tool or a tablet that can get an account manager an overnight result. The interesting irony is that newer and quicker do not hold in the long term. As soon as we know some thing, it immediately is not new and quick any more and we begin our search once again for a better remedy for our solutions.

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The impact of newer and quicker:

Since we want new things to happen to us, we ignore the strengths we already have. In our venture to be quicker, we choose NOT to be thorough. We miss important details, very important details about our customers, clients, their needs and the importance of relationships.

The Insurance Industry and Common Sense:

Interestingly common sense and customer care are quite closely knitted.

To be an outstanding insurance consultant in terms of financial achievement as well as in terms of relationships with clients does not require a magical charisma or a John F Kennedy personality. It only takes an insight and some commitment, both of which originate from adherence to common sense.

Let's have a look at common sense and see how does it help us get better at our selves as well as with our clients and business :

Common sense says to find about your industry as much as possible and then plan and start working. But common sense says again that we do not have to spend weeks on analysis. A couple of days are enough to know.

Using common sense tells us that we do not like people who are manipulator or canny. We like simplicity and straight forwardness. So we better chalk out our marketing and selling tactics on the same principles, being honest.

Common sense tells us that trust comes first and selling results later. We ignore this golden rule and then wonder why Mr. suddenly backed up from signing

the deal?

Common sense tells us again those clients which have obtained insurance services

From other firms are most likely to obtain our services too, all we have to do is design a better plan and develop a deeper trust.

But common sense tells us again, that don't keep the plan to ourselves but to actually take that to the decision maker.

We hate people who ignore us after they have sold some thing to us. Don't we?

Yet we ignore this act of common sense act and ignore our customers in different styles. We miss their calls, or don't return them. Our frequency of interaction with them drops suddenly to show them our face again in the last week of December.

Common sense guides us to not assume things about clients needs on our own and to ask questions, but tells us again to note them so that we do not forget them.

Commons sense guides us to keep only one focus: how can we make some one feel more comfortable by providing a cushion to their emergencies? How can we assist them in their business by solving their problems?

Good rewards and money comes in when we make lives of other people easy and help them solve their problems. As Jim Rohn quotes, we can only succeed by making as many other people successful.

Common sense says to prepare and practice for excellence and that means:

- a. Working hard and with commitment, spending time for SELF IMPROVEMENT.
- b. Read at least one article about

insurance industry and how we can improve our service.

c. Try finding out needs of the current industry. Using common sense we can find what is specifically going to happen. Does the earth quake or recent floods create any opportunity for insurance for insurance of goods or for NGOs working in that sector?

d. By keen observation, we can always find out what's happening and how can we improve their situations.

e. It needs out of the box thinking, thinking and thinking on one question: how best can I help organizations through our services? And try to answer this.

f. To start reading how to write proposals, ad letters, business introduction emails, quotation faxes, EOI or an RFP.

g. To keep in touch with our people whom we have sold insurance, through out the year, on monthly or two monthly basis and to keep a track of our communication in a journal.

We choose to ignore

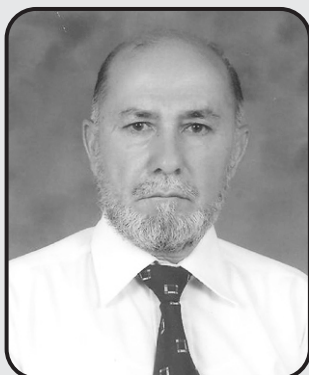
We ignore common sense questions, because we are focused on some thing new that gets things done immediately. We think that we do not need further learning. We think its enough what we already have. And the perhaps our biggest mistake is to confuse knowing with doing. Knowing is never enough, but some times what little we do know, if we do reaps huge rewards.

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ELECTRIC

SHORT CIRCUIT



Majid Khan Jadoon A.C.I.I
Managing Director
Pakistan Inspection Co.Ltd

Every year, Tens of Millions of Losses are sustained by Industrial Units / Commercial Organizations/Home Appliances, due to Fires and the Proximate Cause of the same is, usually, attributed to Electric Short-circuit.

What is an Electric Short-circuit?

Let us endeavour to understand the nature of the Electric Short-circuit and the back-ground of the same, leading to the Fire Losses to the Industrial/Commercial Organizations, as well as Residential Contents and, by extension, to the Underwriters.

Whenever Industrial/Commercial Entities are established, Electrical Fittings are one of the most Fundamental Pre-requisites of the same.

The ingredients of Electric Fittings are usually acquired from the Local Market, wherein assorted qualities of the same are vendored.

The requirement and nomenclature has been derived fitting of Electrical Installations from the very action of the would depend on the Power-Consumption Needs of point of conjecture.

Organizations which must be in accordance with their Power-Requirements and, therefore, the Size and Gauge of the Electric-wire must commensurate therewith as well.

It is, therefore, of utmost importance to take into account that Wires of inferior qualities and gauges are not utilized because the same would not be able to withstand the Tension of the Requisite Power, in accordance with the Organization's Requirements. Conversely, if installed/fitted in the establishments, the same will be very much prone to the Occurrence of Electric Short-circuit and the consequent Fire Losses can be of substantial detriment to all concerned.

Now, let us try to understand the back-ground of an Electric Short-circuit, Electric-power would yield the requisite results when the Positive and Negative Currents of the Electricity would inter-act with each other at the designated juncture.

Any inter-action of the Negative and Positive Electric Currents, at a Non- designated point, would result in Electric Short-circuit, i.e. at a conjecture before the desired point of inter-action between the two currents, hence the Short-circuit, which

Let us now ponder-over the question as to why an Electric Short-circuit would take place.

There are numerous reasons for the Occurrence of an Electric Short-circuit which may be summarized as follows:

a) At times, Electrical Fittings of the Establishments would be found to have been considerably old. Thus, with the passage of time, the Insulation of the Electric-wires would have been, gradually too weakened to withstand the Heat-pressure of the Electric-currents, rendering the Copper-wire of the Electric-cables naked and thus the Pre-mature contact of the Positive and Negative Currents with each other would result in the inter-action of the same at those very points, causing the Electric Short-circuit.

Therefore, it is most important that proper periodical check-up and maintenance of the Electrical Wiring/Fittings is taken care of, so that the possibilities of Electric Short-circuits are minimized.

a) It has been observed that,

sometimes, Expansion of the Units in an Industrial Establishment/Commercial Organization would be carried-out, resulting in the increased requirements of Electric-power, which would, consequently, require more Power Supply. However, the Electrical Wires/Fittings would be found not to have been brought-up to the Standard of the Now-expanded Requirements of the enlarged entity.

Thus, enormous strain would be exerted on the old and insufficient Electrical Wiring/Fittings which would cause the Heating-up of the same and the consequent weakening of their Insulation, leading to the Pre-mature meeting of the Positive and Negative Currents, resulting in the mutual contact of the same, and the consequent Short-circuit.

b) Electric-fluctuation is also often quoted the Proximate Cause of an Electric Short-circuit and the consequent Fire.

Whatever, the Ultimate Cause of the Electric-fluctuation, it has been observed that, at times, massive Electric Surge would take place, which would exert

un-bearable pressure on the Electrical Wiring/Fittings, causing the melting away of the Insulations of the same, resulting in the Electric Short-circuit, with consequent Fires or break-downs of the Electronic Gadgets/Machineries/Stocks, due to major concussions.

As such, there is an essential need to look into the Causes of Electric-fluctuation and steps must be taken to remove the same, so that Loss of Precious Machinery/ Equipment/ Installations/ Gadgets/ Stocks could be avoided which are not only Individual but also National Losses, with numerous unfavourable consequences.

a) It has also been observed that, at times, Electric Connections are obtained through Hanging Electric-wires and the same too for long distances, which are very much prone to Electric Short-circuits through many a causes.

Especially, when Atmospheric Disturbances would take place, Hanging Electric-wires would be very hazardously exposed to

Every year, tens of millions of losses are sustained by industrial units/ commercial organizations/ home appliances, due to fires originating from short circuits

Electric Short-circuits, proximately causing Major Fires and Losses of Material and Human-lives as well.

As such, strict action by the Law Enforcement Agencies must be taken, in this context, so that the consequent Fires Losses and Losses of Human-lives could be prevented.

If due care is exercised in the Fitting/Installation and Maintenance of Electrical-ingredients of the Domestic/Industrial/Commercial Organizations, the same would go a long way in preventing/minimizing Fire Losses which will be not only in the best interests of Industrial/Commercial Organizations, as well as Underwriters, but also in the National Interest.

World Cup Cricket 2011

Insurance for Indian Players: The Indian cricketers will be covered under personal accident policy for world cup 2011. The Board of Cricket Control India has insured the Indian players. Each player is insured for Rs. 2.3 crore (23 million).

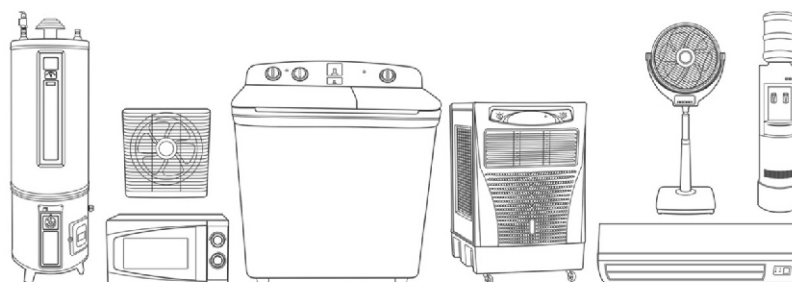
Travel Insurance: According to the British Foreign Ministry and Commonwealth office people desirous of visiting India, Sri Lanka and Bangladesh to watch world cup matches must ensure that they have travel Insurance policy.

Terror and Weather cover: General Insurance Corporation of India provided Rs. 600 crore (6 billion) for terror and weather insurance cover to international sports broadcaster ESPN charging premium of Rs. 9 crore (90 million).



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FRAUDULENT CLAIMS

Part - I



QAYYUM PERVEZ MALIK
INSURANCE SURVEYOR

WHAT IS FRAUD?

Fraud can come in many shapes and sizes and whilst a fuller definition will be considered in reviewing legal definitions it is fair to say that fraud is usefully described as: The case of Konstantinos Agapitos v Agnew (2002) is considered in more detail when we review the legal background to fraudulent claims. However, for the claims handler an interesting contrast emerges from that decision. This is the contrast between a fraudulent claim and the use of fraudulent devices to pursue a claim. One of the key statements can be considered thus:

A fraudulent claim exists when the insured makes a claim, knowing that he has suffered no loss, or only a lesser loss than that which he claims (or is reckless as to whether this is the case). A fraudulent device is used if the insured believes he has suffered the loss claimed but seeks to improve or embellish the facts surrounding the claim, by some lie.

Few examples of Insurance Fraud:

- The loss that did not happen.
- The deliberate loss such as arson.
- Genuine loss but overstated.
- Excluded genuine loss but modified to fit in the policy.
- Concealment, misstated, forged, facts presented to take undue benefit.

ORGANIZED FRAUD

Organized frauds occur specially in motor business as occurred in last one decade when vehicles flooded in the market financed by commercial banks and every one tried to grab due or undue gain. Huge amount of claims were paid against 'staged accidents', fraudulent claims by-passing the pre-set practice for appointment of surveyors/adjusters.

It is always important to remember the simple fact that fraud occurs whenever a suitable opportunity presents itself. Sadly, the current economic situation is a perfect breeding ground. Although the statistical data is not available publically as it never has been published by IAP or any member of IAP so far nevertheless on the basis of our day to day experience as surveyors it can be mentioned safely that the graph of fraudulent claims is on increase day by day because of many contributing factors like economy reversal, recession, social conditions, political instability, inflation, improper justice, bad law and order situation, inappropriate and lack of application of rules and regulations, insecurity, inadequate laws, illiteracy, improper education system, deterioration in values, customs and cultures, lack of patriotism, corruption etc. Unfortunately no effective fraud management mechanism has ever been evolved to ensure success in combating insurance fraud. It is not only in Pakistan but increasing all over the world.

FRAUD OCCURRENCE & CONTROL

The universally accepted equation for example is given as:

$$\text{Incidence of fraud} = \frac{\text{the inclination} + \text{the opportunity}}{\text{the resistance}}$$

Insurance fraud is on its alarmingly increased frequency in Pakistan these days with the involvement of few segments present among all the stake holders black sheep almost everywhere.

In Pakistan the fraud management mechanism is now available in shape of various regulators, bodies, associations etc e.g. SECP, IAP, various surveyors associations, Pakistan banks association etc which formulate necessary rules/regulations to regulate the industry. In addition to that an effective mechanism is available in shape of standing committee in National assembly. Federal insurance ombudsman, small claims settlement committee and Insurance tribunals are playing their mandatory role quite effectively. No specialized institution is however available as is available internationally like IFB (Insurance fraud bureau) etc.

Re-insurers however have tried to take necessary share by taking partial control over the appointment of surveyors in heavy claims but the system is working in the similar fashion maintaining the status qua because of various flaws. Surveyors usually appointed from abroad do not attend the sites of loss in Pakistan and usually hire the services of locally available surveyors on their liaison, to deal

with the claims. Appointment of surveyors has become so centralized that services of only few companies are being utilized who are busy to their necks and can not make justice in discharging their professional obligations which may open up new opportunities for claimants inclined to commit fraud. Insurance surveyors role is of prime importance to cope up with this challenge so the system of utilizing these important services must be reviewed and revisited. Favoritism, nepotism, centralization of business, monopolization, unlimited discretionary powers should be strictly discouraged. All the license holder surveyors should be brought on panel and a most transparent procedure to distribute assignments should be worked out to mitigate the local influence and incentives on and for the surveyors. Need to properly educate the people connected to the Industry should be realized and necessary arrangements must be made by extending the services of insurance institutes in deepest parts of the country like Multan & Faisalabad. Lack of professional skill also amounts to lead fraudulent intentions.

Internationally various departments are available in terms of fraud management due to the influences of the Financial Services Authority (FSA) and the creation of industry bodies such as the Insurance Fraud Investigators Group (IFIG), the Insurance Fraud Bureau (IFB) and special interests groups at the Chartered Institute of Loss Adjustors (CILA), the Association of British Insurers (ABI) and the Chartered Insurance

Institute's Faculty of Claims.

There is an increasing recognition that detailed fraud data and analysis is critical. But firms that under-invest in anti-fraud systems, controls and processes suffer relatively high levels of fraud losses. Reducing financial crime is one of the FSA's statutory objectives. They expect firms to take reasonable care to establish and maintain effective systems and controls to counter the risk that a firm might be used to further financial crime. Some firms still do not have a counter-fraud strategy; some consider themselves immune to fraud. This is either because of their client base or because they cannot even contemplate that any of their employees are involved in fraud. Internationally increasing need to counter insurance fraud demands an effective measures to be taken in Pakistan by initiating more serious efforts by all concerns. State should play their privet role in this issue and take effective measure to counter the issue. SECP is endeavoring rather struggling but without initiating building effective community sharing network attracting the stake holders on board widely. Meetings on a cup of tea by few representative of elite class would not serve the purpose.

For claims departments, good practice would be to maintain segregation of duties so that claims handlers work under strict check-n-balance preventing the possibility to authorize payment of fraudulent claims. Internal audit function also to be sufficiently robust to be able to check systems and controls with a view to preventing fraud.

It is increasingly recognized that the embedding of anti-fraud measures

is vital to ensure that a proper assessment of fraud issues is carried out at all stages of the process. Effective training plays an important role. Indeed staff education programmes are vital and need to be effective. This is supplemented by a rising tendency to create and expand anti-fraud teams to support the general business and to carry out the more specialist investigation work necessary to track and eradicate fraud. It is just as important to identify claims fraud as it is to provide an excellent journey for the genuine customer. Let the customers not play any role to rule the internal policy matters of an Insurer as far as fraud arresting mechanism is concerned. Influencing the company policy by field staff by throwing false impressions just to take an undue benefits for their vested motives should be monitored carefully.

The maintenance of high quality fraud data is essential to assist the management of firms' fight against fraud. Sharing of information with others in the sector aids an assessment of the effectiveness of anti-fraud measures adopted. There are encouraging signs of increased industry co-operation and strong support within firms for this. Nevertheless, more needs to be done in this area not only to share raw data but also to exchange information on the perpetrators of fraud. The increasing range of ways in which fraud can be recognized in turn improves a firm's risk management.

Internal fraud is also under the spotlight with increasing focus being given to recruitment, training and check-n-balance techniques to

ensure that adequate checks are made before & after candidates are employed. Firms should also be aware of the risks for existing staff who may behave fraudulently. This can be supplemented by professional 'whistle blowing' procedures where ethical standards are breached.

It is quite unfortunate that not a single case has ever been tried in any court of law or even referred to Insurance ombudsman by Insurers or surveyors against claimants who have committed frauds. It is claimant who always intend to do the same against Insurers and surveyors in case the fate of claim is decided against him. Insurers and surveyors who try to play their role effectively & impartially just to create a healthy business environment in the country by resisting fraudulent intentions are more liable to suffer the consequences. Intention to settle all the claims once lodged, fraudulent or otherwise for the sake of gaining reputation by few insurance giants should now be reviewed & revisited.

WHO COMMITS FRAUD

Research in the UK over recent years has shown a variety of different attitudes emerging. It is fair to say that underlying these is the fact that policyholders view claims fraud as a victimless crime. There is also a belief that a significant percentage of fraud remains undetected due to ineffective boardroom priorities, budgetary support and operational staff process and measurements. Corruption induces also highlight different cultural and regional

variations in relation to fraud.

It appears, however, to be an almost universal view that in any population:

- 10% of people are inherently honest

- 10% are inherently dishonest and the other 80% could go either way

Research by Data monitor suggested that 50% of the people interviewed knew someone who had committed an insurance fraud. One in 10 people admitted that their last claim was fraudulent.

A major UK composite insurer carried out research which suggested that:

- 69% of people agreed that most people would make a dishonest claim if they could get away with it

- 88% of people agreed that inflated claims were dishonest

- 18% agreed that dishonest claims had little impact

Similar research in Australia found that about 94% of people in a survey agreed that lodging a fraudulent claim was dishonest but half would do nothing if they became aware that an insurance fraud had been committed. The research in Australia also suggested that 10% of claims were fraudulent.

The latest ABI research, published in July 2009, reinforced the Australian results which would suggest that claims fraud has a similar profile, in terms of frequency outside of the UK. The same research suggested that the cost of undetected fraud within the general insurance sector totaled 1.9 billion pound per year and that this cost added 44 billion pound to the average insurance policy purchased by consumers.

It also indicated that 13% of general insurance claims, by volume, are

fraudulent which represents 10% of the claims value.

What motivates people to commit fraud is never totally clear. It may be pressure, opportunity or a form of rationalization. This could be described as need, greed and the desire to get value from insurance. There also appears to be some evidence that there can be peer pressure to make a fraudulent insurance claim, namely the pressure that this is an accepted norm.

The desire to get value from insurance is often described as 'the Christmas Club mentality': 'I have been paying my premium for the last 10-20 years & I have never made a claim so I deserve one now.'

Unfortunately no such survey has ever been conducted here in Pakistan. Also no will or ideology or attempt is seen to at least moving in right direction of fraud-counter strategy. It is also quite unfortunate that at some individuals level the aggressive, non-professional, personalized, unguarded, non-directional moves are seen in recent years to counter fraud claims which has created a negative impact in the market. Incompetence can be widely seen everywhere in Insurers, surveyors, claimants, financial institutions offices. Culture of single-man show is continued almost everywhere and there is lobbies sitting in controlling offices who are willing to run the system on status quo basis for their vested interests. A revolutionary changes will have to be brought out in order to first stop this cancer of corruption and then

to make strategy to move in the right direction bringing the Industry in line with the International market. I, during my professional career of over 30 years, witnessed the similar nature of mentality here in Pakistan amongst the insured community. Members related to surveyors and insurers who support the idea and participate in the game practically are rewarded with the title 'successful insurer', 'competent surveyor'. Whereas the clients in this context are termed as 'valued clients'. In true sense the valued clients should be those whose business turns profitable at the end of financial year and not those who leaves 200-300% claim ratio at the end of year. Research around the world has tended to suggest that fraudsters are often driven by ego, they plan to 'beat the system'. An underlying reason for this is that fraudsters are not well-educated and have a perception of intellectual superiority that allows them to believe they can 'play the game and win'. Other key drivers include:

Need lack of money, possibly the result of unemployment

Greed I would like more money or property to improve my lifestyle

Desire to get value from insurance recover money paid in premiums

Peer pressure the accepted norm friends and colleagues are seen to have made successful fraudulent claims

Credit crunch/periods of inflation It is perceived to be easy money!

Compulsions, pressures, motivations of the bad system.

Temptations.

IDENTIFICATION

OF FRAUD

Tools which a claim handler may opt can include fraud indicators, databases, gut instinct, peripheral investigation, body language and behavior.

Gathering the evidence needs a strategy of inquiry and potentially a strategy of persuasion. The strategy of persuasion is about sending signals to a potential fraudster that they are unlikely to win on this occasion and that an exit route with some dignity retained might well prove the right course for them to take. Of course the exit route to withdraw a claim needs to be provided.

In terms of gathering evidence and probing of fraud, it all starts with the event whether that be fire, theft or other accident. The direct cause of the event and the consequent financial damage need to be carefully considered. It is probably true to say that in establishing a case for fraud three key factors should be demonstrated. These are:

- The method
- The means
- The motive

To be continued in next issue.....

CAREER PATHS



Ali Munem Shamsi

President Asia Insurance

Now a days unemployment is one of the biggest problem of Pakistan. That person is unemployed who has ability to do work and is willing to do work but is unable to get job opportunity. As day by day, our economy conditions going to be worst due to inconsistent policies of government and prevailing law and order situation. In the current situation more than 50 lakh people are unemployed in Pakistan and unemployment ratio is more than 15%. If we did not explore the available opportunities for our young generation right now than might be the time speed away and could not control the unemployment as well as our crime rate.

Now I think in Pakistan, we have only one area which is not so far properly addressed by any level of state or explored by ourselves due to lack of knowledge or other priorities i.e Insurance Sector. Through utilization of proper resources and media campaign, we can increase a substantial number of jobs and marginally decrease the existing rate of unemployment.

In this regard, I am elaborating the few steps for those young people who want to launch their career in the insurance industry and looking for

TOWARDS INSURANCE INDUSTRY

guide line. In first instance, it's highly advisable that you map out a career path. This will help you to travel from Point A to Point Z, while taking all the right steps in between.

Unfortunately, there's no magical formula for creating and implementing your career path. However, here are some helpful tips that can help you:

1. Choose an area of expertise

You likely know that old saying about being a "Jack of all trades, master of none." Are you studying to work in the insurance business, or considering a career change within the industry? It's still important to choose one of the three areas of expertise: Marketing, Claims, and Underwriters. A Marketing Or Development man who procure or sell the insurance business is called an Insurance agent and known to be a representative of an insurance company. Claims positions involve a customer's application to receive monetary compensation. And finally, Underwriters determine whether or not an insurance company should take on a potential client. All of these areas in the insurance business are crucial for any company.

2. Select a career path based on your fortes

Never choose a particular career path based on the "wrong" reasons. Instead, it's important to consider your skills and talents when selecting a career path for Marketing agents, Claims, or Underwriters. There's nothing wrong if a particular type of insurance position pays well. But remember that no salary is worthwhile if you're miserable in a certain position. Forty years is a long time to have a dull career path.

Instead, determine what your fortes are, and then choose a career path that will accommodate them.

3. Ask around

When choosing a particular career path within the insurance industry, you won't need to reinvent the wheel. So it's advisable to ask expert insurance professionals about the particular career paths they took. That's not to say that their career path will absolutely, positively be the right one for you. But it might be!

4. Be Flexible

Let's say that you've chosen the "perfect" career path, Remember that change is one of the only constant in life. So give yourself some leeway regarding your career path. You might make detours within the areas of Marketing, Claims, and Underwriting, Or you might take a completely different path, and decide to switch to a totally different area. So should you map out a career path? Yes, because it will serve as a guide through out your career, Oftentimes those who design a career path for the insurance industry only need to make minor adjustments. The Key is to be flexible.

Base Your Studies on your career path

Regardless of the type of instruction you receive, it should be ideal for your particular career path. Formal education has a sky-high price tag today, so it's particularly important to choose the right area of concentration-under the insurance industry umbrella.

Not every insurance professional's career path will be alike. That's why it's important to plan ahead, and than take the right steps to implement it. These above tips will help you to stay on the right path while in the insurance industry.

Insurance Get Hit

Insurance get hit-may cost over \$35 billion. Believed to be one of costliest catastrophe ever to hit the insurance industry, Japan's devastating earthquake followed by mercy less is expected to cause insured losses of over \$35 billion. Catastrophe modeling firm Air Worldwide on its website estimated insured property losses from the earthquake, the magnitude on the Richter scale is 9, could range 15 to 35 billion dollars.

Air worldwide said the insurance cost of the quake is near to the entire worldwide catastrophe loss for the global insurance industry in 2010. This could result in higher price in the insurance market after years of decline. It says the estimated loss is due only to earthquake and does not include the loss or effects of tsunami.

Yet another risk modeling firm Eqecat said insured losses between \$ 12-25 billion. Eqecat estimated includes the earthquake, tsunami and series of fire According to Air worldwide the earthquake insurance penetration in Japan is relatively low in the range 14-17% nationwide.

Commercial construction consists of more than 50% concrete and less than 10% wood while 70% of all residential construction is estimate to be of wood and 25% of concrete. This insured loss estimate physical damage to property both structures and contents, fire resulting from earthquake and direct business interruption losses. The loss estimate does not include damage to automobile and uninsured properties.

In Japan earthquake insurance for dwelling risks is retained entirely within Japan in the Government supported pool managed by Japan EQ Re. for non-life companies in Japan the only losses which are eligible to be reinsured outside Japan are those losses arising from commercial and industrial risks.

**"WE MUST REBUILD JAPAN
FROM SCRATCH"**

PRIME MINISTER JAPAN
NAOTO KAN



Japan's earthquake shifted planet balance

The devastating earthquake in Japan has moved the island closer to the United States and shifted the axis of the planet. Geophysicist at the U.S.A said the areas closest to the epicenter of the quake jumped 13 feet closer to the United State.

The quake has also shifted the earth's axis by 6.5 inches resulting in shortened the day by 1.6 microseconds, and sank Japan downward by two feet.



The massive earthquake, tsunami and nuclear disaster may be the costliest natural disaster, but the impact on the private insurance industry may not exceed that of Hurricane Katrina in 2005. One reason is Japanese homeowners and businesses rely heavily on a government-funded earthquake insurance system rather than on private insurance.

Only about 14 to 17 percent of the Japanese homes have private earthquake insurance. This has been estimated by the Reinsurance Association of America.



The Japanese system also put a cap on the total claims paid by both the government and private insurance. This system leaves small payout for the private insurance industry and will be spread among several players. If total claims may be \$60 billion payouts are pro-rated. It means that homeowners and business would have to settle for a partial coverage of their losses. yet it private banks estimates total losses at \$180 billion, this figure could go higher if radiations leaks from the nuclear plant inflict further damage.





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INAUGURATION NJI MARGALLA BRANCH, ISLAMABAD

A new branch of NJI was inaugurated in Islamabad named MARGALLA BRANCH. The Managing Director & CE of NJI Mr. Tahir Ahmed flew from Karachi to inaugurate this new branch, which he described as an addition in the Client service and increase in insurance knowledge and professionals for the city of Islamabad. He paid rich tributes to Mr. Hassan Nadeem who heads this branch. He said Mr. Hassan Nadeem and his team come from a very rich professional background and he hoped under his able leadership the branch will grow.

This function was very well attended by the insurers, businessmen, clients and bureaucrats. Prominent among those present were CEO & President Islamabad Stock Exchange Mr. Imtiaz Haider, CEO Volta Batteries Mr. Haroon Mehmood, Chairman ERRA Mr. Hamid Yar Hiraj, CEO Maroof International Hospital Ch. Naseer and many others.



Pakistan Reinsurance Workshops

Pakistan Reinsurance Company Limited (PRCL) had organized three training Workshops on the following topics:-

- "The Magic of Being Positive" at Pakistan Insurance Institute, Karachi.
- "Claims Orientation" at Training Room, Pakistan Reinsurance Company Limited, Karachi.
- "Insurance in Gulf Co-operation Council i.e. Saudi Arabia, UAE, Bahrain, Qatar, Kuwait & Oman" at Training Room, Pakistan Reinsurance Company Limited, Karachi.

The workshops were attended by senior management and executives of Insurance/Reinsurance companies. The courses were conducted by Mr. M. Noman Ahmed of The Maestro Trainers & Consultants, Mr. Asad-ur-Rahman Khan, Group Managing Director, Oceanic Surveyors and Mr. Syed Umer Ali Shah, Managing Director, ACE Insurance.



Mr. Ayaz H. Gad
Executive Director, PRCL



Group photo of participants

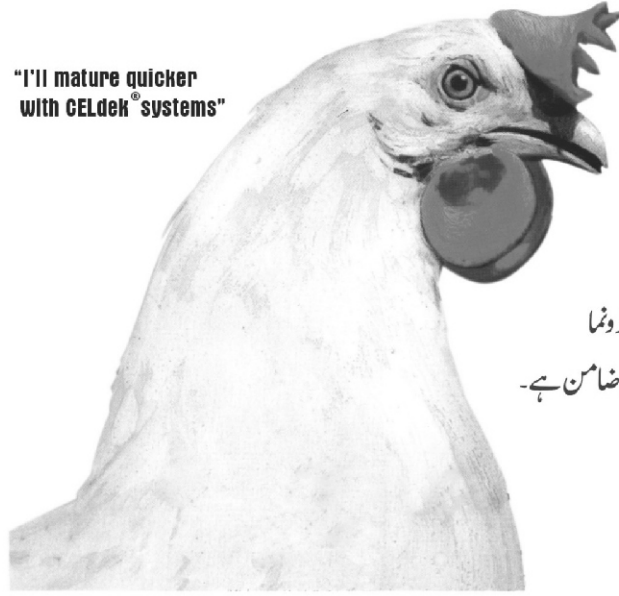


Guests present



Guests present

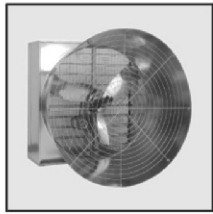
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with CELdek® systems"



میری بہتر نشوونما
آپ کے زیادہ منافع کی ضامن ہے۔

When rearing poultry, maintaining a controlled climate is more important to optimal growth than even feed or stocking density. Conventional ventilation systems in poultry houses simply do not compensate adequately for temperature and humidity fluctuations caused by body heat and the sun's radiation. CELdek® system, on the other hand, maintain an optimal temperature and humidity, safely, efficiently throughout the production cycle.

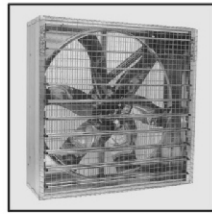
A healthy, unstressed bird is a productive bird. CELdek® systems address the bird's total rearing environment to help eliminate stress and improve weight gain and feed conversion. And the more you do for the well-being of your poultry, the more they'll do for you.



Cone fan



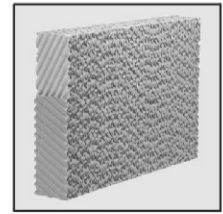
Euroemme fans (EM 36)



Euroemme fans (EM 50n)



Air heaters



CELdek® evaporative cooling pads



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Regional Director in Pakistan of IIMS, U.k.

MY FIRST COMMAND AND ITS EXPERIENCES

INTRODUCTION

I was thinking of writing on “My First Command & Its Experiences” for last many many years, but did not do it. Whenever I considered it writing during the past 25 years to write about my experiences, a brain wave always stopped me, telling me that things have changed so much that it is likely no one will encounter such circumstances because of introduction of new electronic navigational equipment on the onboard Vessel's Bridges then I said to myself.

“Might is right” it was in the past and it is so today.

“Experience is the mother of wisdom” – It was and it is even today.

“Experience is the best teacher” – It was in the past and even holds good today.

There after, I was convinced and decided to write “My First Command & First Experience” in belief that it might give something to others to learn those who believe that “one should learn by the experience of others” or intelligent is one who learns by the experience of others”

MY FIRST COMMAND

I started my sea career as a deck cadet at the end of October 1959 on S.S “Maqboolbaksh EX-“PEMBA” of British India steamship navigation Co (known as B.I). The S.S “Pemba” was of 1945 built in U.K. It was purchased by Pakistani ship-owners M/s. United Oriental Steamship Co (Known as “Baksh Lines”). At the time of delivery I joined her and sailed to U.K, Continent, loading from East Pakistani and Indian Ports. My first Captain was W.M Ansari. Arriving Rotterdam (Holland) around April 1960, I was transferred to another Vessel “S.S “ilyasbaksh” purchased by owners and from there we sailed to USA.

Later for a short period I was 3rd officer and then chief officer on “Maqboolbaksh” when I signed off

from this ship to take up master exam, S.S “Maqboolbaksh” went for General Surveys i.e she was going to stay in Karachi for 3-5 months for extensive surveys / repairs towards Class Special Survey of 20 years.

On 4th of March 1968 I got through my exam for master that means qualifying to command foreign going ships of any size. I was so much excited and I decided to report to my owner's immediately. The Shipping company office was just a few kilo meters away.

I am deeply thankful to God and for the best wishes of my parents that I got my command the same day I passed my masters exam, qualifying to take command. The 1st command was on the ship on which I sailed and worked in all capacities

except 2nd officer. I was most excited and felt something special to take my 1st command on the ship on which I started my sea career. I do not know how my fellow friends would have felt, on the occasion under same circumstances.

MY FIRST COMMAND EXPERIENCE:

On 4th march 1968 when S.S “Maqboolbaksh” came under my command, it was still under extensive repairs and surveys for the purpose of complying for special survey of a 20 years old ship.

Here, it will not be out of place to mention that the vessel had no Gyro compass. Sounding machine, Direction finder, Loran system or any other electronic navigation equipment. It had “Radar” which was beyond repairs. So I had only the

standard compass and Sextant to Navigate by.

Even today, I remembered the day when I after qualifying as master (F.G) I was asked by one of the partner of the company, who was responsible for shipping, to meet managing partner of Baksh group Mr. Malukabaksh. He took me to his office. Upon meeting him I was congratulated warmly.

On his large working table, plenty business papers were lying and likely some were of shipping matters. First some time he asked me a few things about "S.S Maqboolbaksh" then one or two problem questions regarding other matters. Further he asked likely as to chartered ship fuel matters. Up till then, during my sea carrier I had no knowledge of Fuel matters except bunkering calculation which I did during my exam. However, I replied just by common sense. All of a sudden he asked, "Would you accept command if offered". It was a most difficult question / offer of my life, even today. I thought for a while and replied directly "Sir when I joined S.S "Maqboolbaksh" as deck cadet I dreamed be to be captain one day. S.M. Maulabaksh the owner, asked others who were present there the marine superintend, engineering superintend, operations general manager and one of his brothers, Mr. S.M. Maqbool, who was incharge of their shipping business. We need captain on our S.S "Maqboolbaksh"? He said we appoint Mr. Khalil, captain on Maqboolbaksh. No body was prepared for this. He stood up and congratulated me and so did everyone who was present there. That's how I became Master on S.S Maqboolbaksh.

Next day I boarded the same ship as master from where a few months back I had left. After taking over

command, following day, I had a meeting with the Chief Engineer, (BIRTISH) and Chief Officer (Nigerian National), superintendents (Engineer and Marine) and manager for general surveys. The ship due to extensive repairs was in mess. I ordered cleaning of the ship immediately to avert fire hazards.

In the meeting we deliberated on the progress of repairs and surveys and decided that in 4 to 5 weeks all repairs and class recommendations should be completed (particularly cargo compartments) so loading could take place.

Within above stipulated time all major repairs for general surveys (recommended by class surveyor) were completed almost as planned. And the vessel went on loading berth. The vessel commenced loading for Chitagong and Chalna (presently Bangladesh, at that time East Pakistan Ports)

The owners booked a full cargo load, keeping fuel oil and water to minimum then bunkering on way at Colombo and after lightening (discharge) at Chitagong outer anchorage and cross bar (lowest depth of water) to reach at Chalna Port for final discharge. My first voyage as captain was usual loading to earn max freight. This required carrying bare minimum fresh water and fuel oil.

The loading was completed on 12th May at about 1900 Hrs and sailing was fixed at 2330 Hrs. Shore leave was ordered to expire at 1930 hrs. My wife and my six months old daughter were sailing with me.

Due to south westerly monsoons in the region with extra care all derricks were properly secured / lashed. Cargo compartments were properly

battered down, lashed and secured. All ventilators adjusted and covered, hatch ways etc were also secured. Due to strong and early South Westerly monsoons, deck, engine room, stores etc was lashed properly.

The over all cleaning was still going on, however when pilot boarded all shore men were order to leave the ship. For the purpose of completion of essential work / repairs, few workers were permitted to stay and to leave with the pilot. Pilot boarding time was around 2200 hours. Prior to the pilot boarding, engine, steering gear, telegraph, chronometer, communication system, navigational charts, navigational and emergency lights, etc. were checked and tested as a normal check up prior to sailing. The steering and standard compasses were checked and reported to me "all in order".

Finally we cast off at 2315 hrs and proceeded through Karachi harbor out to sea and on wards to our destination. The Karachi port pilot disembarked around just after midnight. At this time remaining shore labours workers also went off and I took over from pilot to continue on my intended voyage. When pilot and shore laborers boats were well clear of the ship. I headed out to be clear of ships anchored at Karachi roads. To set the course for sea passage I wanted to fix the vessels position, so I ordered the 3rd officer to take the bearings and fix the vessels position. He went to the monkey bridge to get bearings for fixing vessels position. There were many ships on anchor so I wanted to be clear of the vessels as soon as possible, speed was increased, I then noticed 3rd officer did not get bearing so I shouted at him and asked acting 2nd officer who was still on the bridge to see what's the matter. Just in few minutes I noticed both had not come

with the bearings I shouted from the bridge wing what's wrong, they replied "Sir the standard compass is not swinging". This was a answer which I could not belive. Likely this is a answer which most seafarer would not understand because standard magnetic compass swings all the time. Anyway I brought my ship well clear of ships already anchored and put vessel on a course to proceed to destination. Then I went on the monkey bridge where both officers were looking at the standard magnetic compass. I looked at it and noticed that the course set out by wheel house room steering compass was completely differing to standard compass. While ship was rolling heavily its head (direction) not changing. It was heavily cloudy and visibility was moderate / hazy. I could not understand the reason of not changing compass direction with respect to ship head. I Checked flinder bars magnets for adjustment horizontal and vertical appeared to in place. Being a very old ship, locking arrangement for flinder bars was found without any locking arrangement. Under the circumstances when vessel went for 20 years special general survey. The vessel went through heavy recommendation by class. Therefore for 5 to 6 months plenty workers technical, non-technical and labour were onboard. It was not possible to restrict them. It was best opportunity for steel work. Some repairs on rails were also carried out on monkey bridge (where standard compass is fitted). Under these conditions, particularly when so many persons were boarding for a long time. I could only conclude that there are chances of removing magnets but I could not be certain.

At this time I had no option but to drop anchor and see the problem and fix it even if I had to go inside port. I

called "Signal Station" to drop the anchor. The chief officer with his team arrived at forecandle and I maneuvered vessel where I wanted to drop the anchor. By book, dropping anchor at Karachi anchorage during the monsoon period is not recommended (mid May to mid September) however. I observed that almost all vessels were anchoring; therefore I decided to do so. I dropped the anchor.

After dropping anchor I ordered to check the depth of water by using (Hand Lead). There was no other means to do so. Then I went on the monkey bridge to estimate the standard compass, and noticed that it was not oscillating / moving therefore bearings of shore objects to fix vessel position was not possible. S.S. Maqboolbaksh has no Radar, sounding machine, direction finder or any other navigational equipment except standard magnetic compass (which was not operative). After dropping anchor, immediately I wired message to my owners to inform them full situation and telling them I will look for problem upon day break and shall day also do my best to fix it and sail. However, if I could not do so the shore assistance and technician to fix it may be re-required and for this vessel to enter port.

By this time it was 4 am. It was a dark night and heavily overcast. By using lights it was not possible to detect the reason of no change in magnetic direction. Standard compass showing nowhere close to steering compass direction. Under the circumstances and to take right decision I decided to dismantle standard magnetic compass but to wait till daybreak. So, that I can see everything well clear. Now I was also terribly tired and needed some rest. Therefore, decide to go to my cabin

for this and start at the break of the day.

When I went one deck down to my accommodation I found Mrs. suffering sea sickness and vomited however baby was sleeping. Just took few safety steps in my bedroom as vessel was rolling and pitching heavily I went to my day room and lie down to sofa to regain energy up to day break and then work on standard magnetic compass. I could not sleep for a second due to so worst situation on my 1st day of command. After taking rest I was better, fresh and relaxed. On and off I was peeping out of my port, holes and as soon as I observed day break light I decided to go on monkey bridge and inspect it. When I went up and just removed brass top cover I noticed compass glass was found broken right from centre (Pivoting Point) to compass edges at three places. First I was reluctant to dismantle compass to look for a possible cause. The reasons were as under:-

- a. I am not a qualified compass repairer and adjuster.
- b. After dismantling, in case I could not box it up due to broken glass.
- c. If I succeed in fixing temporarily and sailed, later if any eventual problem arises – question why did not wait for permanent repairs by competent and qualified person.
- d. My concern was also as to possibly some magnets used for adjustments being removed / theft by some one. I did not have any magnets on board for compass adjustments.

- e. The most important factor was if I succeed to paste broken glass at their place but then in this monsoon weather, heavy torrential rain gusty, winds with showers, some navigating officer when used for taking bearings by temporarily repaired compass and did not care to cover it then compass card will be so damaged that it will be not possible to use, rather it will be a case of replacement of card and glass. A constructive loss of compass to use. The decision was most difficult.

Should I carry out temporary repairs / fix it and sail or re-enter harbor for compass repair and sail upon completion of fixing broken glass, complete check and new deviation card prepared by authorized qualified person. If I decide to enter harbor and sail after fixing everything by a compass adjusters. For this I was not happy. I also considered if I repair / re-fix it and later on for any reason if something goes wrong. In that case all concern will say why I sailed without permanent repairs and if I reach Chittagong and Chalna after repairs by me nobody will give me a prize. Even will not consider under what circumstance I made the voyage. Finally I decided to look into problem and rectify it and then sail with all possible precautions. Once I made my mind with a firm decision so the owners and shipping circle should not think that as a newly (1st command) appointed captain I was lack of confidence and boldness. By the way here it will be not out of place to mention that I excellent in my compass studies and calculations. All was fresh in my mind that was a very positive point. I started dismantling and removed standard compass bowl and brought it in my day room. As soon as I started loosening compass

glass it started falling on to compass cards (it is made rice paper) that way possibly it will damage compass card and it will be useable therefore I took all precautions and glass came out in three pieces and compass card started swinging. This made me very happy and to some extent the main problem was underneath coating on glass which came off and was sticking with the compass card. One cannot be hundred percent sure until it was placed in its proper position and under the influence of all magnetic forces. However I was sure by my sense that main reason was glass paste which peeled off and was sticking the compass card.

I called chief officer and chief engineer and asked if we had glass of the same specification so that we can replace new built glass but we didn't have any with deck or engine department. Until some thing is done with the broken glass by uniting process of dismantled glass was not usable. I decided to paste broken glass pieces by adhesive transparent tape from top side. But when it was tried to fix, it was found it will break it not placed tope at bottom. It was small clearance but there was no way except that tape is placed on the other side (bottom) of the glass. I decided to do it with care with a hope (it will) work and will not hamper movement of the compass card.

I did accordingly and was amazed and relaxed when observed that tape was holding very well and compass card was free to move. I took back standard compass on Monkey Bridge and fitted back. I found that compass was freely oscillating and compare its head (compass direction) with the steering compass head and it was good to note that in their heading there was not appreciable difference. I also compared these heading with old "Deviation Book". I also took

various bearings to compare with transit true bearings. I made a fresh "Deviation Card". Upon comparing with the old "deviation card", I was satisfied that the function of standard compass was satisfactory.

I called Chief Engineer and Chief Officer and told them we will proceed after thirty minutes to our destination. I ordered a meeting for all watch keeping officers and crew members on the bridge i.e watch keeping officers and crew members.

I ordered and stressed upon them to be alert through out, till permanent repairs to standard compass is done. The main features of my instructions were as follows:

- (i) After using standard compass, it should be well covered and secured for any possible chances of rain water entering into it. This all steps chances to prevent loosening compass card.
- (ii) In case of rain / showers when using compass, extra ordinary care to be exercised to protect compass card from rain water.
- (iii) Second person on the bridge should also check that after using the compass it is properly covered.
- (iv) In good weather (even not cloudy / rainy) when at sea or at anchor, the standard compass should be kept well protected from any rain / squall, so no chances of loosening standard compass card and eventually compass becoming unusable.
- (v) When vessel is in port and

standard or steering compass are not in use, a very good look out and check be kept by all deck officers and quarter masters to keep regular rounds on monkey bridge to safe guard standard compass for any mishap. Later five written instructions were given to all concerns officers and crew to follow.

As there were no means for fixing and checking the vessel's position in the absence of standard compass. In such circumstances the vessels position to be kept under check by way of a regular visual observation. The regular checks to be almost every thirty minutes by taking soundings (depth of water) by "Hand Lead".

Now, standard compass was repaired and in operative condition. Prior to proceeding to sea passage to Chittagang. The compass error was checked and compared with "Old Compass Error Book". Transit bearings were also used. I fixed the vessel's position by taking shore bearings and verified it by sextant horizontal angles and soundings.

At this stage I was fully satisfied with the function of standard compass. I also gave all precautionary orders to follow as a safety measure. Now I decided to proceed on our voyage.

I called station to pick up anchor. It was about 1030 hrs, when Chief Officer with his team were ready. Order was given "Heave up anchor". When anchor was up and secured stations were called off. Stow head and full away on a course toward Chittagang via Colombo.

After a constant pressure for last more than ten hours I was relaxed. I was thankful to "God" that I was able

to manage repairs of standard compass and make it usable.

Finally I called my owners informing them in detail of the problem, temporary repairs, precautions necessary during voyage and in port. The owners replied appreciating my efforts in this respect.

CONCLUSION

I believe experience is a learning process which is two fold:

"Learning by a person who is subjected to experience and by others ie those want to learn something by the experience of others.

I learnt by this experience and gave serious thought as to what I have learnt by this experience.

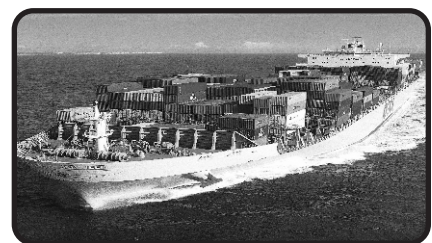
I conclude as under:

- (i) "Check out" system should be related to circumstances ie since vessel was subjected to plenty shore workers and they were busy in repairs all over ships. Therefore I should have checked / get checked more carefully and diligently in detail as this was not done.
- (ii) I was given command same day I got authority to sail as Captain (Master) under the situation I should have taken extra which I didn't. But I believe even others with command for years wouldn't have done better. The check and testing of standers c o m p a s s w i t h navigational equipment is

done few hours before pilot boarding. This was done and cracks in the nigh were not visible. In which case all the experience in the work would not have helped. Magic is not possible, However, now by experience I strongly suggest if vessel was on repairs and or survey for long time or it was laid up then, all check should be done during day light well advance time before going to sea.

- (iii) Under any difficult worst situation rather coldest and intact when the most worst situation prevails (I did it)
- (iv) What others may learn, by my experience is entirely up to individuals. I had given all details one should try to find himself what is therefore for him to learn.

I did round trip to Karachi where compass glass was changed, fresh compass deviation card was made. I did another voyage to East Pakistan (Bangladesh) then I was transferred flown to Chittagang to take over another vessel S.S "Anwarbaksh" fully loaded for port Sudan. S.S "Anwarbaksh" had lost one anchor and the Capt Alan Hogg suffered nervous break down and was admitted in hospital. I may write about this on same other time.





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Azhar Group

Insurance Association of Pakistan (I.A.P) Lahore organized essay competition to encourage the young people associated with Insurance to inculcate interest in writing and to promote the habit of reading. Three prizes were given to three participants. In this issue we are reproducing the essay declared first. The following two will be published in the subsequent issues of the Insurance Journal.



Asif Noor

The Universal
Insurance Company

First prize
Second Prize
Third Prize

Mr. Asif Noor (Universal Insurance)
Mr. Waqar Rashid (Alpha Insurance)
Mr. Haroon Iqbal (New Jubilee Insurance)

INSURANCE INDUSTRY

How can it increase its premium volume

Premiums are undeniably considered a life blood or mainstream for any insurance company. So it is imperative to sell the right insurance to the right customer at the right time for the right price in order to maximize premium earnings based on the identification of customers' needs and wants. So keeping in view this statement, following are the ways through which insurance industry can increase its premium volumes.

1. Strict compliance with universally acceptable rules

- 2. Internal Resources
- 3. External Resources

1. Universally Acceptable Rules:

There are various ethically proven rules, which are known as the

pre-requisites for every insurer. These are:

- Education
- Experience
- Intentions should be in right direction
- Creating customer value and relationship
- Knowing the needs and wants of target markets and delivering the desired satisfactions.
- Positive Attitude & Body Language.
- Passions.
- Commitment and Dedication to work.
- Fairness/Transparency in every effort/work and
- Unity within the insurance companies, etc.

2. Internal Resources:

Following are the different internal resources

through which Insurance Companies can increase their premium volumes:

- Right person for the right job means that every employee should be a master of his designated job.

- Introduction of different promotional schemes like continuous rebate in rates for those prospective clients who introduce, say 5 to 10 new customers every year.

- Integration of I.T. system can add a lot in premium volumes.

- Insurance Companies can also increase their premium volumes through participation of their employees because they typically know a lot of ways to generate the revenue. But because of the way companies traditionally work, they can't focus on these ways, as there are internal barriers that prevent them from collecting the additional revenue.

- Arrangements of various morale boost up courses for employees, in order to update their spirits, passions, commitments and dedications to their work. This strategy works like a tonic for a body. So it would have been fully materialized in order to have more premium volumes.

- Insurance companies should also focus on outstanding default because this effective control will also increase their premium volumes.

- Insurers should also concentrate on new business lines/innovations particularly in personal lines insurances, in order to have more portfolios.

3. External Resources:

Below are some external resources which can exceptionally serve an insurance company's dire need of premium volumes:

- Mandatory Insurance through Govt because this is a critical thing to be considered as compare to the rest of the world where this segment is a binding one by the Govt.

- Insurance education campaign for whole society triggered by IAP or respective regional institutes.

- Target and hire the services of highly influential people in the society in order to diversify efforts for procurement of more premium portfolios.

- Services given by all Insurance Companies should be strictly monitored. There should be a stern check on what's going out to our valued clients. Because Insurance companies are widely recognized on the basis of their services and definitely this is an end product if it clicks then premium volumes will also blink and vice versa.

- Problems faced by sales & marketing personnel should be viewed and addressed on priority basis.

- Call Centers, another segment of for an Insurance company through which two benefits could easily be managed, one is an increase in portfolio and customers while the other is a wide spread advertisement.

- Introduction of various new tailor-made products in accordance with current economic/political situations.

- Massive, but focused advertisement campaign through electronic and print media organized by IAP or concerned regional institutes like Pakistan dairy association.

- Pre and Post Insurance benefits' analysis must be advertised through IAP or local insurance institutes in order to educate people that if they have an insurance cover then certainly they could better face any mishap as compare to those who don't have such type of umbrella.

People with insurance always have a peace of mind while others don't. This will also be a great contribution towards premium volumes.

- Invitation to key professionals of various trades and professions on seminars organized by IAP or regional insurance institutes or by insurance companies themselves.

- Close interaction with different financial institutions like banks, and leasing companies etc in order to diversify the existing and new insurance business. These financial institutions unquestionably played their vital role in developing insurance industry. So Insurance Industry should also consider their efforts and would accommodate them at their level best.

- Inclusion of Insurance as a subject right from beginning of studies in order to create awareness from

grass root level. This is the most critical and vital segment for a country and for a industry like Pakistan where people are not very much familiar with insurance. It should be considered among the essential subjects like English. According to some statistics Insurance is a highly rewarding profession in the world so once we have its implementation then premiums volumes will automatically be increased with the passage of time.

- Participate and contribute to various cultural events and charity organizations. People in Pakistan are deeply and sentimentally associated with these types of organizations and if Insurance Companies participate and sponsor their various events then again there is a great chance of having more clients and premium volumes through these types of activities.

- Priority focuses on various businesses hubs like Karachi, Lahore, Faisalabad, Sialkot, Islamabad, Multan, Peshawar, Quetta etc.

- Formation of a loyal and neutral think-tank forum for insurance industry.

- Through investments in different projects. This idea should be better implemented by IAP or concerned local institutes or can even be managed by individual insurers.

- Through consulting firms that help insurance companies by their innovative ideas and ways to premium enhancement.

- Through better deal with Re-Insurers.

- Just in order to out-do each other, we have resorted to fierce rate cutting even at the cost of prudent underwriting.

This has resulted in a domino effect whereby rates have declined to an all time low. This has inevitably resulted in shrinking premium volumes to the detriment of all the contemporary insurance companies. This situation needs to be urgently redressed, rate reversed, by all companies together through IAP and agreeing to certain code of ethics that should effectively discouraged rate cutting and imprudent underwriting.

Conclusion:

According to our Holy Quran "Every human will receive Rewards according to his efforts" so please extend more efforts in order to be considered for more reward and vice versa. In this context, we should not blame the Government or its concerned functionaries but look at ourselves and we will easily find the right path of success and premium growth.

2007 C L D 121
[Securities and Exchange Commission of Pakistan]

Before Rashid I. Malik and Salman Ali Shaikh, Commissioners
MUHAMMAD ZUBAIR---APPELLANT

Versus

KARACHI STOCK EXCHANGE (G) LIMITED

And 3 other ---- Respondents

Appeal No. 41 of 2006, decided on 2nd November, 2006.

Securities and Exchange Commission of Pakistan Act (XLII of 1997) —

---S. 33--- Appeal to Appellate Bench of the Commission--- Appellant in his complaint, filed with Securities and Exchange Commission, had alleged that account statement received by him from Stock Exchange had been forged, as many shares belonging to him were missing from his C.D.C. account --- Appellant had alleged during hearing before the Director (I.C.W.), that certain shares were sold by Stock Exchange without his consent for which he did not get any sale proceeds or benefit at all--Director (I.C.W) came to the conclusion that all transactions were duly executed by Stock Exchange and movement of the disputed shares, was duly reflected in the statements provided by the broker --- Complaint of appellant, having been rejected, he had preferred appeal against impugned order passed by the Director (I.C.W) --- Stock Exchange as well as appellant during hearing of appeal, stated that they were willing to have the dispute properly re-investigated---Commission held that matter could be re-investigated to remove any doubt

and that directed that investigator should complete investigation and submit report to the Securities Market Division of the Commission within specified period and the Security Market Division would take appropriate and necessary action on the report within 30 days from submission of th report. [pp. 123, 124] A, B & C

Appellant for himself.

Abdul Jabbar Lodhi for Respondents No. 1 and 2.

Munir Ahmed Khanani for himself.

Murtaza Abbas, Deputy Director SECP for Respondent No. 4

ORDER

This order will dispose of appeal No. 41 of 2006 filed under section 33 of the Securities and Exchange Commission of Pakistan Act, 1997 by Muhammad Zubair against the order dated 7-4-2006 ("Impugned order") passed by Mr. Imtiaz Haider Director (Securities Market Division).

2. The brief facts of the case re that Muhammad Zubair (the

"appellant") filed a complaint on 9-12-2003 with the Securities and Exchange Commission of Pakistan against Munir Ahmed Khanani, member and broker of Karachi Stock Exchange ("KSE"). In his complaint, the appellant stated that the he was maintaining a trading Account No. TO1 and CDC sub- Account No. 12149 with Munir Khanani for about one year. The appellant stated in his complaint that on 8-12-2003 he received the CDC account statement from Munir Khanani which had been forged, as many shares belonging to him were missing from his CDC account. The Commission forwarded the appellant's complaint to KSE on 18-12-2003 for resolution and arbitration, if necessary. Apparently, KSC forwarded the complaint to Munir Khanani for his comments, which were received on 26-12-2003.

Munir Ahmed Khanani alleged that due to non- availability of COT/bakla financing for TRG, BOSI, Lucky shares at the relevant time, the appellant had been selling his shares from time to time to bring his debit balance never availed badla financing for this purchases and had been taking deliver of this shares. He further alleged that the

shares of BOSI and Lucky Cement were sold without his consent by Munir Khanani. On request of the Commission, the appellant applied for arbitration under the KSE regulations and KSE was directed by the Commission to provide full assistance to the appellant.

3. Unfortunately however, the arbitration did not take place as the Commission was told by KSE that under the regulations, the panel of arbitrators was to include outside directors who were not available at that time. Due to this inordinate delay by the KSE, the Commission decided to hear the matter itself.

4. During the hearing before the Director (ICW), the appellant alleged that the following shares were sold by Munir Ahmed Khanani without his consent for which he did not get any sale proceed or benefit at all.

Company	Share Qty
General type	12,000
Lucky Cement	15,000
BOSI Car	19,500
Indus Motors	500

5. Director (ICW) asked Munir Kanani to provide Customer Business Activity Report, CDC Activity Report Statement and Statement of Account. After analyzing the record and hearing the parties, Director (ICW) came to the conclusion that all transaction were duly executed by Munir Ahmed Khanani and the movement of the disputed shares

was clearly reflected in the statement provided by the broker. He therefore, rejected the complaint of the appellant vide the impugned order. The appellant preferred this appeal against the impugned order. The hearing in this appeal was attended by the parties mentioned above. During the hearing, the appellant and the respondents reiterated their arguments presented before the Director.

6. We have heard the parties and also examined the Impugned Order which relies on the movement of the disputed shares as given by the various statement produced by Mr. Munir Khanani. However, we have noticed that there are certain contradictions and the record of movement of shares produced by these statements. For instance, on page, 4, para.15 of the Impugned Order, in case of Lucky Cement shares, it is said that the Appellant's shareholding position on 23-09-2003 was Nil. However, it then goes on to state that three days later, on 26-09-2003 vide Account Voucher No. TS022213, 15000 Lucky Cement shares were sold from the Appellant's accounts. It is obvious; that unless the Appellant was indulging in short selling which is not alleged he could not have sold 15,000 shares on 26-09-2003 when on 23-09-2003 he did not have any shares in his accounts. In our view, this matter has not been investigated properly.

7. During the hearing, Mr. Munir Ahmed Khanani as well as the Appellant stated that they would be willing to have this

dispute properly reinvestigated. Accordingly, we therefore hold that this matter may be reinvestigated so as to remove any doubts. This investigation should be carried out by an investigator to be appointed by KSE not later than 15 days from date of this order. The investigators should complete the investigation and submit its report to the Securities Market Division of the Commission not later than 45 days from the date of his appointment. The securities Market Division should thereafter take appropriate and necessary action on the report within 30 days from the submission of the report.

8. In the end, we would also like to show our disappointment at the Front Line Regulator. The inordinate delay, in fact failure of KSE in solving this dispute is unjustifiable. KSE is directed to strictly comply with the time schedule provide above for completing this investigation.

The appeal is disposed of
H.B.T/101/SEC





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